

IN THE INCOME TAX APPELLATE TRIBUNAL
HYDERABAD BENCH "A", HYDERABAD
(Through Virtual Hearing)

BEFORE SHRI A. MOHAN ALANKAMONY, ACCOUNTANT MEMBER
AND
SRI S.S. GODARA, JUDICIAL MEMBER

	ITA No.215/Hyd/2020		
	A.Y. 2017-18		
Jeevan Shakti Chit Fund Pvt Limited, Hyderabad. PAN: AAACJ 5056 C	VS.	ACIT, Circle-2(1), Hyderabad.	
(Appellant)		(Respondent)	
Assessee by	Sri S. Rama Rao		
Revenue by	Sri T. Sunil Goutam, Sr. AR		
Date of hearing:	04/01/2022		
Date of pronouncement:	11/01/2022		

ORDER

PER A. MOHAN ALANKAMONY, A.M:

This appeal is filed by the assessee against the order of the Ld. CIT(A)-2, Hyderabad in appeal No.10310/2019-20/CIT(A)-2, dated 22/11/2019 passed U/s. 143(3) r.w.s 250(6) of the Act for the A.Y. 2017-18.

2. The assessee has raised three grounds in its appeal and they are extracted herein below for reference:

- “1. *The order of the Ld. CIT(A) is erroneous both on facts and in law.*

2. *The Ld. CIT(A) erred in confirming the addition of Rs. 37,64,605/- made by the Assessing Officer on the ground that the bad debts are not allowable as deduction as the said amount did not form part of the total income in the earlier years.*
3. *Any other ground or grounds that may be urged at the time of hearing.”*

3. At the outset, Ld. AR submitted before us that there is a delay of 30 days in filing the appeal before the Tribunal. In this regard, the assessee had filed an affidavit seeking condonation of delay wherein the reasons for filing the appeal beyond the prescribed time limit was explained. For reference, the relevant portion from the affidavit is extracted herein below: -

“.....

The petitioner humbly submits that during the period from 06/01/2020 to 18/02/2020, Sri K. Ramesh, Managing Director of the petitioner company who is aged about 59 years has been ill due to hypertension, BP, severe giddiness and known diabetes and is not in a fit position during the said period. He is advised rest for his recovery. A copy of the medical certificate is annexed to this petition. Subsequently, on recovery, he contacted the Advocate on 19/02/2020; got the appeal prepared and filing the same before the Hon’ble ITAT on 20/02/2020. The petitioner humbly submits that the delay of 30 days in filing the appeal is for the reasons explained above which are beyond the control of the petitioner and is not intentional. The petitioner, therefore, prays the Hon’ble Income Tax Appellate Tribunal to kindly condone the delay and pass appropriate orders granting relief as prayed for.”

.....”

4. On perusal of the affidavit filed by the assessee, We are of the view that the reason for the delay was due to ill health of the assessee-company’s Managing Director. Therefore, the assessee could not file the appeal within the stipulated time. Considering these facts We are of the view that the assessee was prevented by a reasonable cause in filing the appeal beyond the stipulated time and therefore, in the interest of

justice, We hereby condone the delay of 30 days in filing the appeal before the Tribunal and proceed to adjudicate the appeal on merits.

5. At the outset, the Ld. AR submitted that the assessee had claimed bad debts amounting to Rs. 37,64,605/- as deduction being the amount of chit money (amount received from chit auction) not recoverable from the clients who had participated in the chit-fund organised by the assessee. The Ld. AR further submitted that though the amount cannot be strictly termed as 'bad debts' because it was not arising out of sundry debtors conversely treated as revenue receipts during the earlier period, the non-realization of the amount given to the participant of the Chit Fund on account of chit auction is a business loss to the assessee. Hence, it was pleaded that deduction may be granted for the same. The Ld. DR on the other hand stoutly argued in support of the orders of the Ld. Revenue Authorities and prayed for confirming the same.

6. We have heard the rival submissions and carefully perused the materials on record. It is evident and undisputed that in a Chit business if the auctioned amount paid to the participants of the Chit are not repaid by way of payment of chit instalments, then it would obviously amount to loss to the business. Such business loss is allowable as deduction U/s. 28 of the Act. Therefore, we hereby remit the matter back to the file of the Id. AO to verify these facts in the case of the assessee in detail and thereafter grant deduction to the assessee if the

amount claimed is a loss as discussed herein above and if found otherwise pass appropriate order in accordance with law and merit after providing proper opportunity to the assessee of being heard.

7. In the result, appeal of the assessee is allowed for statistical purposes as indicated herein above.

Pronounced in the open Court on the 11th January, 2022.

Sd/-
(S.S. GODARA)
JUDICIAL MEMBER

Sd/-
(A. MOHAN ALANKAMONY)
ACCOUNTANT MEMBER

Hyderabad, Dated: 11th January, 2022.

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Copy to:-

- 1) Appellant: Jeevan Shakti Chit Fund Pvt Limited, 207, 2nd Floor, Pancom Business Centre, Ameerpet, Hyderabad.
- 2) Respondent: Asst. Commissioner of Income Tax, Circle-2(1), Signature Towers, Kondapur, Hyderabad-500 084.
- 3) The CIT(A)-2, Hyderabad.
- 4) The Principal Commissioner of Income Tax-2, Hyderabad.
- 5) The DR, ITAT, Hyderabad
- 6) Guard File